As it did last year, the impact of the U.S. Environmental Protection Agency’s granting of waivers to small refineries from their renewable fuel blending obligations has taken its toll on rural America. Under the Trump administration, EPA issued 85 retroactive refinery exemptions for the 2016-2018 compliance years, undercutting the statutory renewable fuel volumes by a total of 4.04 billion gallons.

For conventional renewable fuels like corn starch-based ethanol, Congress specifically established an annual requirement of 15 billion gallons beginning in 2015. However, due to the massive increase in SREs, EPA has enforced, on average, a conventional renewable fuel requirement of just 13.78 billion gallons annually for 2016-2018.

Despite this, President Trump and EPA Administrator Andrew Wheeler repeatedly stated their commitment to at least 15 billion gallons. Farmers, renewable fuel producers and their allies throughout rural America spoke up for months on this issue and pulled no punches, with one farmer leader confronting President Trump directly on stage at a June event at RFA member plant Southwest Iowa Renewable Energy.

In its final rule establishing the 2020 renewable volume obligations, EPA stated it will reallocate gallons lost to exemptions, based on a rolling three-year average of what the Department of Energy has recommended, and extend this to the 2019 compliance year. On average, DOE gallons have represented only about half of what EPA actually waived.

As of January 2020, there were 21 waiver applications from small refineries pending before EPA. Given the furor that has arisen and the EPA response—which also includes a first-ever commitment to only grant partial waivers when warranted and recommended by DOE—we anticipate fewer full exemptions to be granted in 2020, for current and future 2019 applications, and less of a direct impact on domestic ethanol demand.

“Mr. President, you delivered on E15, but we have more work to do. The EPA’s oil refinery waivers threaten to undo your good works. I ask that you listen again because the pain that the ethanol and biodiesel industries have endured is holding back a farm economy that has further capacity to produce more clean air and clean liquid fuels for this country.”

— Iowa Farmer and National Corn Growers Association President Kevin Ross
The price of ethanol (D6) renewable identification numbers (RINs) started 2019 at a relatively low level, due to swelling RIN inventories that resulted from small refinery exemptions (SREs) granted roughly a year earlier. However, prices plunged further following the August announcement that 31 SREs had been granted for the 2018 compliance year and again after the release of the supplemental proposal for the 2020 RFS renewable volume obligations, in which the EPA assumed that future SREs would conform to Department of Energy recommendations rather than historical practices.

“As we travel through our districts in Iowa, we hear first-hand from farmers, renewable fuel producers, and rural communities about the harm caused by the explosion of small refinery exemption applications that EPA has approved in recent years. ... Without a binding commitment that EPA will account for exemptions granted by EPA, this rule fails to keep the RFS whole.”

— Iowa Reps. Dave Loebsack, Cindy Axne and Abby Finkenauer